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C O N F I D E N T I A L SECTION 01 OF 03 ALMATY 001094

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FOR ASSISTANT SECRETARY BOUCHER FROM AMBASSADOR ORDWAY

E.O. 12958: DECL: 02/27/2015

TAGS: PREL PGOV ECON KZ

SUBJECT: KAZAKHSTAN SCENESETTER FOR MOVE TO SOUTH AND  
CENTRAL ASIA BUREAU

Classified By: AMBASSADOR JOHN ORDWAY, FOR REASONS 1.4(B) and (D)

**¶11.** (C) Summary: Embassy Almaty welcomes the creation of a new South and Central Asian Bureau as an opportunity to rethink Kazakhstan's relationship with the region. It also offers all of us a chance to refresh our own thinking about Kazakhstan -- a country which is increasingly important to the United States. The U.S. - Kazakhstan relationship is broad and deep. The GOK is an ally in the War on Terror, maintaining since August 2003 a 29 member ordnance disposal contingent in Iraq and allowing some 3800 no-cost overflights for OEF in Afghanistan. Experts predict that Kazakhstan will be a top-ten oil producer within ten years, and American oil companies are well-represented here. Kazakhstan's nonproliferation accomplishments make it a "success story" among post-Soviet states. While Kazakhstan's December 2005 presidential election fell short of international standards, it was an improvement over past elections. The GOK is a potential ally and partner on a range of relatively new issues of importance to the U.S. These include diversifying Eurasian gas supplies and routes to world markets; creating a prosperous and increasingly integrated region that includes Afghanistan; and countering religious extremism and terrorism both regionally and beyond. End summary.

What Kazakhstan Wants

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**¶12.** (C) With elections now behind him, Nazarbayev is keen to enhance Kazakhstan's international reputation, and his own status as a world leader. High-level attention and visits from the United States feed his ego and further his purpose, but his short-run focus is an Oval Office visit. This subject comes up in every discussion I have with senior GOK officials. A visit would simultaneously advance another important point on the Kazakhstan agenda: using its relationship with the U.S. as a strategic counterweight to its relationships with its two mega-neighbors, Russia and China.

**¶13.** (C) A second major agenda item for Kazakhstan is its desire to become OSCE chairman-in-office in 2009. Here our interests do not converge, as we continue to have doubts about their fitness for office. Finally, Nazarbayev has publicly committed to Kazakhstan's goal of acceding to the WTO in 2007. While most of the outstanding issues are technical ones, and not subject to our political will, we can and should find means to accelerate the accession process.

Establishing permanent normal trade relations by removing Kazakhstan from Jackson-Vanik is another important symbolic action the GOK is eagerly seeking.

What We Want

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¶ 14. (C) GOK support for the War on Terror remains strong; clearly, we want the GOK to sustain and even increase this support. The GOK has allowed more than 3800 no-cost overflights in support of OEF in Afghanistan, and maintains a 29-member ordnance disposal contingent in Iraq, which has disposed of over 3.5 million pieces of ordnance. President Nazarbayev recently pledged increased PSI (Proliferation Security Initiative) cooperation. Success in this area would build upon excellent existing relations between U.S. and Kazakhstani intelligence organizations.

¶ 15. (C) The President's landslide electoral win gave him a clear mandate, despite widespread skepticism about the validity of his official 91% voting tally. (A USG-funded exit poll showed his support at 83%; the bigger issue was an unequal pre-election playing field.) Concerned about the future, Nazarbayev recognizes the need to develop lasting institutions that will ensure his legacy, position Kazakhstan to play a larger role on the regional and world stage, and usher his country into the next tier of world respectability.

As Nazarbayev dominates Kazakhstan's decision-making process, it is up to us to find ways to engage his ambition in a manner that furthers our own interests. Although Nazarbayev spoke at length before and during the election campaign about his intention to pursue political reform, results since then have been sparse. This is perhaps the

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result of the uncertainty engendered by the February murder of prominent opposition figure Altynbek Sarsenbaiuly, which has also eliminated the likelihood that the opposition will engage politically, at least for now. Although the murder investigation has proceeded (with FBI assistance) in an objective and professional manner to date, the opposition suspects a cover-up and is extremely skeptical that the inquiry will ultimately uncover the person who actually ordered the killing.

¶ 16. (C) The murder has clearly made President Nazarbayev hesitant to move forward boldly with reform proposals; we had been told that the new State Commission on Democratization would meet in February, before his March 1 annual address to the nation which would highlight both economic and democratic reform. That did not happen, although there have been a few positive steps since then. The opposition True Ak Zhol party was registered, and the Democratization Commission met for the first time March 24. This first session was significant for Nazarbayev's public recommitment to democracy; its results were diminished by the opposition's refusal to participate, however. We continue to urge both sides to engage in a dialogue on democracy and to press the government to initiate much-needed political reforms, recognizing that the Sarsenbaiuly murder diminishes the short-term chances for meaningful progress on either front.

What We Both Want

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¶ 17. (C) Kazakhstan's oil production is likely to grow from the current 1.2 million barrels per day to 3 million bpd by 2015, placing Kazakhstan among the world's top ten oil producers. Kazakhstan also has 3 trillion cubic meters of proven gas reserves. How to transport this oil and gas to world markets, and how to do so while providing alternative routes that will provide Kazakhstan with bargaining and pricing power vis-a-vis current Russian export routes, are issues on which we should work closely with the GOK.

¶ 18. (C) Non-proliferation cooperation remains an important

pillar of our relationship with the GOK, and Kazakhstan's non-proliferation efforts constitute a &success story8 among post-Soviet states. Under the CTR program, DTRA has helped destroy means of delivery and nuclear testing facilities. Work is ongoing to secure a former Soviet nuclear weapons test site and, through the Biological Weapons Proliferation Program, to secure especially dangerous pathogens. DOE has helped to decommission a Soviet-era reactor, and is now addressing the issue of spent fuel disposition. It has also helped Kazakhstan increase materials protection, accounting, and controls at a number of nuclear facilities and is working to convert the Alatau reactor from HEU to LEU use. Nevertheless, we need to build on the GOK's exemplary cooperation on this front and resist ever taking it for granted.

Looking Ahead

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¶9. (C) I believe that Kazakhstan can play a significant role in our regional integration strategy. Foreign Minister Tokayev recently pledged Kazakhstan's support for Afghanistan at the London Conference. Kazakhstan has much to offer the region's economies, such as energy (electricity and gas) exports and banking expertise, and appears eager to expand its regional involvement as well as investments.

¶10. (SBU) In September 2006, we will open our new Embassy in the capital of Astana, while at the same time establishing a small Embassy Branch Office here in Almaty. For the first time since the GOK made its own massive move from Almaty, the U.S. will have direct, real-time access to senior officials, without its ambassador and officers having to commute back and forth to the capital. This will be an enormous advantage in strengthening our bilateral relationship.

¶11. (SBU) At the same time, the impending transition to Astana is occupying increasing amounts of the Mission's time as we near the projected completion date for the New Embassy Compound (NEC). The incremental relocation of more than 70%

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of Mission personnel is well underway. Among the formidable challenges we face between now and then are leasing 50 new residential properties in the capital for American staff, finding and training replacements for our local staff who will choose not to move to Astana, and decommissioning the properties we abandon in Almaty. We also need to make sure that the security of our large remaining presence in Almaty is not compromised in the process. While the challenges we face during the coming months are great, so too are the opportunities. I look forward to addressing both with your support and that of our new colleagues in SCA.

ORDWAY